

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 772 - HB 991

March 25, 2015

SUMMARY OF BILL: Requires the Division of Health Care Finance and Administration (HCFA) to allow all healthcare providers who serve on a technical advisory group to review and approve the final model for each episode of care, including any codes or risk adjustment methodologies, before the Bureau of TennCare and any participating health insurance entities begin generating data reports to send to participating healthcare providers.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Exceeds \$4,205,900

Increase Federal Expenditures – Exceeds \$6,503,500

Assumptions:

- Tennessee's Health Care Innovation Initiative was launched in February 2013. In December 2014, the state was awarded a \$65,000,000 State Innovation Models grant from the federal Centers for Medicare and Medicaid Services to support the initiative.
- The grant application states that the initiative will add additional episodes of care every six months with a goal of implementing 75 episodes within five years. For every episode, the initiative will convene a technical advisory group (TAG) to advise on design elements such as the principal accountable provider, the types of health care services included in the episode, the quality measures that should be included, and the sources of value associated with each episode.
- The TAGs are to serve in an advisory role for the design of each episode model. The provisions of the bill will grant TAG member review and approval of the final model which could result in delays in the implementation of the reform and/or changes to the payment structure included in the final model.
- If the payment structures are altered or the final models or implementation of the final model is delayed, the expected payment reform savings could go unrealized resulting in increased expenditures.
- The Bureau of TennCare has projected savings of approximately \$10,000,000 in FY15-16 and savings are expected to increase by an additional \$10,000,000 each year thereafter.
- These expenditures receive federal matching funds of 65.035 percent; therefore, the state expenditures will be 34.965 percent.
- The recurring increase in state expenditures through TennCare is estimated to exceed \$3,496,500 (\$10,000,000 x 0.34965).

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- The recurring increase in federal expenditures through TennCare is estimated to exceed \$6,503,500 ($\$10,000,000 \times 0.65035$).
- Similarly, the Department of Finance and Administration, Division of Benefits Administration, estimates savings resulting from the initiative of approximately \$709,446 in FY15-16. The savings are projected to be twice that amount in following years.
- The total recurring increase in state expenditures is estimated to exceed \$4,205,946 ($\$3,496,500 + \$709,446$) and the recurring increase in federal expenditures is estimated to exceed \$6,503,500.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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